

# **CORPORATE GOVERNANCE STATEMENT**

**For the year ended  
30 June 2018**

**ABN 48 112 252 114**

MAINSTREAM GROUP HOLDINGS  
LIMITED

Level 1  
51-57 Pitt Street  
Sydney NSW 2000  
AUSTRALIA

Phone **+61 2 9247 3326**  
Fax **+61 2 9251 3525**  
Email **[enquiries@mainstreamgroup.com](mailto:enquiries@mainstreamgroup.com)**



# CORPORATE GOVERNANCE STATEMENT

The corporate governance arrangements for Mainstream Group Holdings Limited and its subsidiaries (the "Group") are set by the Board having regard to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition) ("Recommendations"), corporate best practice and the best interests of shareholders. The principal features of the Group's governance framework are set out in this Corporate Governance Statement. This Statement reports the Group's compliance with the ASX Principles and Recommendations.

The Group is committed to adopting best practice in corporate governance where these practices are appropriate to the business.

The information in this statement is current as at 21 August 2018 and has been approved by the Board.

This Corporate Governance Statement sets out the Company's current compliance, as at 21 August 2018, with the ASX Corporate Governance Council's Recommendations.

References to 'Annual Report' in this Corporate Governance Statement refer to the Company's 2018 Annual Report as published on 21 August 2018 and available for download from the Company's website at [www.mainstreamgroup.com/shareholdercentre](http://www.mainstreamgroup.com/shareholdercentre).

# **PRINCIPLE 1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT**

## **1.2 Roles and responsibilities of the Board and management**

The Board is responsible for the corporate governance of the Group. The Board accepts this role with the objective of ensuring the long-term prosperity of the Group for the benefit of its shareholders, employees, contractors, consultants and clients.

The role of the Board and the authority it has delegated to the Company's senior management are further defined in the Board Charter which is publicly available on the Company's website.

## **1.3 Appointment and re-election of Board members**

The Nomination and Remuneration Committee assists the Board in decision making by reviewing and making recommendations in relation to the appointment of new directors.

Prior to appointing a new director, the Company conducts background and reference checks, criminal/police checks and solvency checks.

The Company provides shareholders with material information, including the Board's recommendations that are relevant to a shareholder's decision regarding whether to elect or re-elect a Director at the Annual General Meeting.

## **1.4 Terms of appointment**

The Company has a written agreement in place with each of its directors.

## **1.5 Company Secretary**

The responsibilities of the company secretary are outlined in Section 11 of the Board Charter, including the accountability that the company secretary has to the Board (through the Chair) on all matters to do with the proper functioning of the Board.

## **1.6 Diversity**

The Board is committed to workplace diversity and is conscious of building a diverse and inclusive workforce. The Company's Diversity Policy is available on the Company website.

In the 2018 financial year the Company had good gender diversity within its workforce, with women making up 43% of employees, 44% of senior leadership and 40% of the Board as at 30 June 2018.

Due to the size of the company and its current stage of development, the Board has not yet determined measurable objectives for achieving gender diversity.

The Company is a “relevant employer” under the Workplace Gender Equality Act 2012 and Mainstream Group Holdings Limited’s most recent public report to the Workplace Gender Equality Agency is located at [www.wgea.gov.au/report/public-reports](http://www.wgea.gov.au/report/public-reports).

### **1.7 Board, Committee and Director performance evaluation**

The Board is committed to regular assessment of its effectiveness and believes that the contribution of individual directors is essential to improve the governance and guidance of the Company.

In accordance with Section 9.2 of the Board Charter, performance of the Board and of individual directors is required to be assessed each year. The Company has a formal process for evaluating the effectiveness, process and structure of the Board, its committees and individual directors. This assessment was undertaken in 2018.

### **1.8 Senior executive performance evaluation**

There is a performance evaluation system in place throughout the financial year to assess employees, including senior executives. This includes setting and assessing key performance indicators for each employee on an annual basis.

A performance evaluation was completed in the 2018 financial year.

## **PRINCIPLE 2. STRUCTURE OF THE BOARD TO ADD VALUE**

### **2.1 Nomination committee**

The Nomination and Remuneration Committee Charter outlines the role of the internal committee which is to assist the Board in decision making by reviewing and making recommendations in relation to the appointment of new directors, senior executives, the structure of remuneration packages to attract and motivate high performers, the design of the equity-based initiative plans and other employee benefit programs.

The members of the Remuneration and Nomination Committee are:

- › Mr John Plummer (Non-executive director) - Chair of Committee; and
- › Ms Lucienne Layton (Non-executive and independent director) - Member of Committee;
- › Mr Byram Johnston (Executive Chairman) - Member of Committee.

The charter of the Remuneration and Nomination committee is available on the Company's website. The number of Remuneration and Nomination meetings convened in the last financial year is disclosed in the Annual Report.

### **2.2 Board skills matrix**

The Company has implemented a board skills matrix detailing the current mix of skills, qualifications and experience on the Board.

The Board's current skills matrix is summarised below:

› Financial services	100%
› Financial acumen	80%
› Risk and compliance	100%
› Listed company board experience	60%
› Accounting	60%
› People management	100%
› Strategic planning	100%
› Business development	40%
› Senior leadership	100%

### **2.3 Independent directors**

The Company considers Ms Lucienne Layton and Ms JoAnna Fisher to be independent directors.

The length of service of each director is disclosed each year in the Annual Report.

### **2.4 Majority of the Board should be independent directors**

The current directors on the Board are listed in the Annual Report.

Only two of the current directors are considered to be independent directors as the other directors are senior executives employed by the Group and/or major shareholders of the Company.

The Company will consider the appointment of further independent directors as the Company continues to grow.

### **2.5 Chair of the Board**

Mr Byram Johnston is the chairman of Mainstream Group Holdings Limited. He is a founder and majority shareholder.

While the Board recognises the principle that the Chairman should be an independent director, the Board believes that Mr Johnston is the most appropriate person to lead the Board as Chairman given his long-standing experience and business relationships. The Board remains confident that Mr Johnston is able to bring quality and independent judgement to relevant issues falling within the scope of the role of Chairman.

### **2.6 Director induction and professional development**

Under Section 5.7 of the Board Charter, each new director will, upon appointment, participate in an induction program.

This includes meeting with members of the existing Board, Company Secretary, management and other relevant executives to familiarise themselves with the Company, its procedures and prudential requirements and Board practices and procedures.

The Board performance assessment process provides an opportunity for directors to identify opportunities to develop and maintain their skills and knowledge including professional memberships.

## **PRINCIPLE 3. ACT ETHICALLY AND RESPONSIBLY**

### **3.1 Code of conduct**

The Board has adopted a Code of Conduct that establishes a culture encompassing strong corporate governance, sound business practices and good ethical conduct.

The Code of Conduct is available at the Company's website.

## **PRINCIPLE 4. SAFEGUARD INTEGRITY IN CORPORATE REPORTING**

### **4.1 Audit committee**

The Company has an Audit and Risk Committee to ensure its corporate reporting is adequately reviewed and that the external auditors are independent.

The Committee's structure, roles and responsibilities are detailed in the Audit and Risk Committee Charter, which is available on the Company's website. The relevant qualifications and experience of each member of the Audit and Risk Committee are disclosed each year in the Company's Annual Report.

The Audit and Risk Committee has 3 members:

- › Ms Lucienne Layton (Non-executive and independent director) - Chair of Committee;
- › Mr John Plummer (Non-executive director) - Member of Committee; and
- › Mr Byram Johnston (Executive Chairman) - Member of Committee.

Although the Company has implemented an Audit and Risk Committee that has at least three members as above, a majority of these are not independent directors due to the current composition of the Board.

The qualifications of the Committee members and the number of Committee meetings they convened in the last financial year are disclosed in the Annual Report.

## 4.2 CEO and CFO declaration

At the end of each financial year the Board seeks representations from the CEO and CFO prior to approving financial statements that, in their opinion:

- › The financial records of the entity have been properly maintained;
- › The financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position of the performance of the entity; and
- › The opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

## 4.3 External auditor attendance at AGM

The Company's external auditor attends the Company's AGM and is available to answer questions from shareholders relevant to the audit.

# PRINCIPLE 5. MAKE TIMELY AND BALANCED DISCLOSURE

## 5.1 Continuous disclosure obligations

The Company is committed to promoting investor confidence and ensuring that shareholders and the market are provided with timely and balanced disclosure of all material matters concerning the Company, as well as ensuring that all shareholders have equal and timely access to externally available information issued by the Company.

The Company has adopted a Continuous Disclosure Policy to outline responsibilities in relation to disclosing information to the market and shareholders, and to ensure compliance with the continuous disclosure regime under ASX Listing Rules and the *Corporations Act 2001 (Cth)*.

A copy of this policy is available on the Company's website.

## **PRINCIPLE 6. RESPECT THE RIGHTS OF SECURITY HOLDERS**

### **6.1 Investor website**

The Company's website contains information about its corporate governance policies. The web address is [www.mainstreamgroup.com/shareholdercentre](http://www.mainstreamgroup.com/shareholdercentre).

### **6.2 Investor relations program**

The Company has an investor relations program to facilitate effective two-way communication with investors. The program includes the Company's AGM, Annual Report, full year and interim financial statements, investor presentations and ASX Announcements.

### **6.3 Security holder participation at meetings**

The Company and its Board encourage shareholders to actively participate at its AGMs and other meetings including providing shareholders with the opportunity to question the Board concerning the operations of the Company.

### **6.4 Security holders' option to receive and send communications electronically.**

Shareholders are encouraged to receive communications from, and send communications to, the Company and its share registry electronically.

The Company has a Shareholder Centre on its website which allows anyone to access annual reports, market announcements and other corporate information online.

Shareholders can communicate with the Company's Registry via email, phone, fax or post.

## **PRINCIPLE 7. RECOGNISE AND MANAGE RISK**

### **7.1 Risk committee**

The Company has an Audit and Risk Committee that focuses on maintaining an effective system of internal control and risk management.

The Committee's structure, roles and responsibilities are detailed in the Audit and Risk Committee Charter, which is available on the Company website.

The Audit and Risk Committee has 3 members:

- › Ms Lucienne Layton (Non-executive and independent director) - Chair of Committee;
- › Mr John Plummer (Non-executive director) - Member of Committee; and
- › Mr Byram Johnston (Executive Chairman) - Member of Committee.

The Audit and Risk Committee is currently chaired by an independent director but the majority of its members are not independent due to the current composition of the Board. The committee members are considered to be the best qualified to serve their respective roles on the Committee given their background and experience.

The number of Committee meetings that were convened in the last financial year is disclosed in the Annual Report.

### **7.2 Review of risk management framework**

The Company has a risk management framework, including a risk matrix, that assesses the key risks that have the potential, should they occur, to result in significant consequences to the Company. The framework is integrated into the daily management of the business.

The Audit and Risk Committee reviews the risk management framework at least annually. The number of Audit and Risk meetings convened in the last financial year is disclosed in the Annual Report.

### 7.3 Internal audit function

The Company does not have an internal audit function. The process for evaluating and continually improving the effectiveness of the Company's risk management and internal control processes is overseen by the Audit and Risk Committee as outlined in Sections 4.1, 7.1 and 7.2.

Group entities undertake and publish regular internal controls reports including an annual review of compliance with the Auditing and Assurance Standards Board's Guidance Statement 007 (GS 007) for its Asia-Pacific fund administration businesses. The GS 007 2018 financial year report was prepared by Ernst & Young.

### 7.4 Material exposure to economic, environmental and social sustainability risks

The Company does not have any exposure to material environmental or social sustainability risks.

## PRINCIPLE 8. REMUNERATE FAIRLY AND RESPONSIBLY

### 8.1 Remuneration committee

The Company has a Remuneration and Nomination Committee with its own charter. The charter is available on the Company's website.

The members are:

- › Mr John Plummer (Non-executive director) - Chair of Committee; and
- › Ms Lucienne Layton (Non-executive and independent director) - Member of Committee;
- › Mr Byram Johnston (Executive Chairman) - Member of Committee.

The Remuneration and Nomination Committee does not currently have a majority of independent directors and the Chairman is not an independent director due to the current composition of the Board. The Chairman and committee members are considered to be the best qualified to serve their respective roles on the Committee given their background and experience.

The number of Committee meetings convened in the last financial year is disclosed in the Annual Report.

## **8.2 Remuneration policies and practices**

The Company's Remuneration and Nomination Committee Charter provides separate policies and practices regarding the remuneration of non-executive directors and the remuneration of directors and senior management.

Further information can be found in the Remuneration Report within the Annual Report.

## **8.3 Equity-based remuneration scheme**

The Company has an equity-based remuneration scheme.

Under the Company's Trading Policy, directors and all staff are prevented from trading in the Company's shares during the period from the end of a statutory reporting period until a set and specified amount of time.

Further, Key Management Personnel are prohibited from entering into transactions in products associated with the Company's securities which operate to limit the economic risk of their security holding in the Company.

The Trading Policy is available on the Company's website: [www.mainstreamgroup.com](http://www.mainstreamgroup.com).